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ABSTRACT

This instructor guide for a unit on business management in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 2 of learning--planning for a business in one's future. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. Among the topics discussed in the unit are the following: role of management, pros and cons of various leadership styles, decision-making process, steps in the planning process, organizational tools for small businesses, control procedures for small businesses, evaluation methods, ethical issues, and the importance of communication. (KC)

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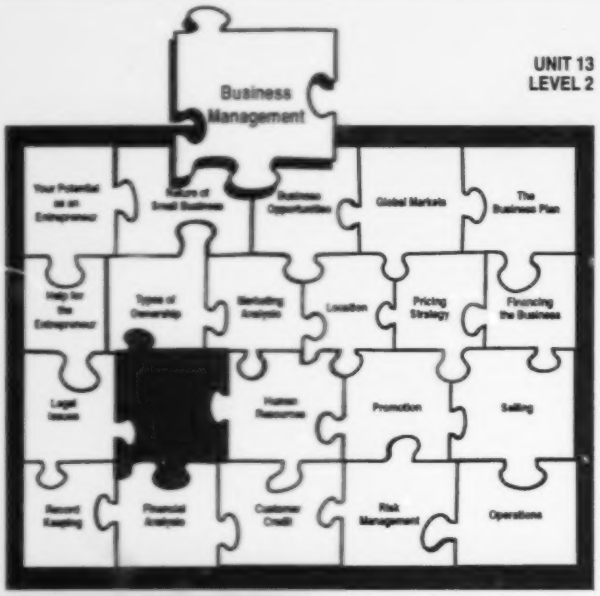

INSTRUCTOR GUIDE

Unit 13

Business Management

Level 2

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

Objectives:

- Describe the role of management in your potential business.
- Describe the pros and cons of various leadership styles.
- Examine the decision-making process as it applies to small business.
- Identify the steps in the planning process.
- Describe organizational tools for a small business.
- Identify control procedures for a small business.
- Describe methods of evaluation.
- Identify ethical issues.
- Explain the importance of communication in a business

CE 067 063

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Objectives	Teaching Suggestions
1. DESCRIBE THE ROLE OF MANAGEMENT IN YOUR POTENTIAL BUSINESS	
What is the role of management?	Have students open the discussion by expressing their basic understanding of the role of management in small business.
2. DESCRIBE THE PROS AND CONS OF VARIOUS LEADERSHIP STYLES	
What are the advantages and disadvantages of different leadership styles?	Briefly present the three management styles. Divide the class into three groups and assign each group a management style. Have each group list advantages and disadvantages of the management style assigned to them. Reconvene for general discussion.
3. EXAMINE THE DECISION-MAKING PROCESS AS IT APPLIES TO SMALL BUSINESS	
What's involved in making good business decisions?	Use a simple management decision case (like the one presented in the text) to open a debate on what question(s) the case raises.
4. IDENTIFY THE STEPS IN THE PLANNING PROCESS	
What are the steps involved in making business decisions?	Use a chalkboard or overhead to list the five steps of the decision-making process. Leave enough space at each step to be able to add additional information later. Students can use the same approach by writing down information on separate cards.
How do you identify the problem?	Use the same case you presented in objective #3. Examine the decision-making process as it applies to small business. By asking questions help the students correctly identify the problem raised in the case.

Objectives	Teaching Suggestions
What about defining alternative solutions?	Divide the class into groups. Have each group come up with their own alternative set of solutions. Help students compare the solutions.
How do you gather facts about the alternatives?	Using the above suggestion, have each group identify various methods that could be used to gather facts about alternatives.
What about formulating a plan of action?	Refer to above suggestion.
What are the decision-making skills?	Choose one of the famous entrepreneurs (e.g., David Thomas (Wendy's), Jenny Craig, Ray Kroc (McDonald's), Mrs. Fields (Mrs. Fields Cookies), etc.) and have students express their own opinions on what decision-making skills made these entrepreneurs successful in their enterprises.
What are the management functions?	Briefly list the five management functions.
What is the planning function?	Ask students to give examples of goals set by the planning process in different business areas (e.g., marketing—increase sales by 10 percent, finance—cut overhead costs by 2 percent, etc.)
What is involved in the planning function?	Ask students to use the table presenting the "Goals of the Business Manager" in the text to come up with a list on their own of long-term and short-term goals, and a daily plan.
Are there planning devices available?	Here is the place to explain the concepts of budget, schedule, standards, policies, and procedures. It would be most helpful if the teacher could ask a local business to provide some samples of schedules, standards, policies, and procedures. These would make excellent handouts.
What is the organizing function?	Create a simple management case which presents an organizing problem and have students present solutions for the case.
What is involved in performing the organizing function?	Compare large firms with small firms and show students what kind of organizing issues are involved in each (e.g., division of work, facilities, and workers).
What factors improve organization?	Invite a local entrepreneur to share his/her view on factors which improve organization.

Objectives	Teaching Suggestions
5. DESCRIBE ORGANIZATIONAL TOOLS FOR A SMALL BUSINESS	
Are there tools available to help with organizing?	Use the job description and organizational chart presented in the text. Have students analyze them. Also, have students write a job description on their own to acquaint themselves with job description wording. Government (state or local) job listings provide good examples of job descriptions.
How can you organize a business?	Introduce the concept of line and staff organization. Let students know about various tendencies in today's organizations to modify classical line and staff organizations (e.g., vertical organizations become horizontal by reduced levels of hierarchy).
What is the staffing and directing function?	Students should express their own understanding of the concepts of staffing and directions.
What is the controlling and evaluating function?	Continue above suggestion.
6. IDENTIFY CONTROL PROCEDURES FOR A SMALL BUSINESS	
What does the control function involve?	Highlight the importance of prevention control versus damage control in organizations. Introduce the concepts of quality, quantity, time, and cost control.
7. DESCRIBE METHODS OF EVALUATION	
What evaluation methods are available to assist in managing your business?	Develop a chart comparing the various methods entrepreneurs use to improve business management.
Can time management techniques help managers?	This is a good time to make students understand how important time management is. Students should engage in a brief discussion on different ways the entrepreneur can benefit from time management.

Objectives	Teaching Suggestions
8. IDENTIFY ETHICAL ISSUES	
What ethical issues should you be concerned with in managing your business?	Have students do library research to gather articles in newspapers and magazines that discuss issues of ethics. The Wall Street Journal would be a good source. Present and discuss the issues raised in the articles.
9. EXPLAIN THE IMPORTANCE OF COMMUNICATION IN A BUSINESS	
How important is good communication to a successful business?	For each of the communication types (verbal, nonverbal, and written) have students express their own opinions on how entrepreneurs can improve these communication skills.

MODEL ASSESSMENT RESPONSES

1. Poor management can lead to bankruptcy and legal actions. Good management ensures the business' competitiveness and profitability through proper attitude, leadership, evaluation, communication, and ethics.

2. A good decision is often the result of a step-by-step process developed by the manager. This process involves: (1) identifying the problem, (2) defining alternative solutions, (3) gathering facts about the alternatives, (4) evaluating alternatives to pick the best solution, and (5) formulating a plan of action. By contrast, a bad decision is often made on the spot based on exclusive use of past experiences or "hunches."

3. Short-term planning involves those activities to be performed in a short time horizon, usually one year. Long-term planning refers to planning of activities to be performed over a longer period of time. Planning devices help a business to focus on those activities which target toward final goals. In addition, planning tools help to better set and reach goals.

4. Business planning covers production, sales, personnel and other issues related to the business. Planning results in business codes, policies, goals, rules, procedures and programs.

   Controlling and evaluating variables refer to the manager's responsibility to assess employees' work and production performance.

5. Quality, time, and cost control are examples of variables which fall under management control.

   Quality control is vital to a business because it ensures a product's competitiveness in the marketplace.

   Time control is ensured through production, planning, and scheduling. Time costs the business money. Therefore, cost control and time control are closely related through planning, production scheduling, and budgeting.

6. Managing time involves planning, organizing, directing and controlling the business. The time management approach refers to coordinating all activities performed by managers. It includes (1) finding out how to use your time now, (2) analyzing your time log to identify your problems, (3) setting goals that are important to you, (4) developing a plan to achieve your most important goals, (5) implementing your plan, (6) developing techniques for overcoming problems, and (7) conducting a follow-up study to detect the weaknesses of the plan and plan to overcome them.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
Center on Education and Training for Employment, 1900 Kenny Road, Columbus, Ohio 43210-1090
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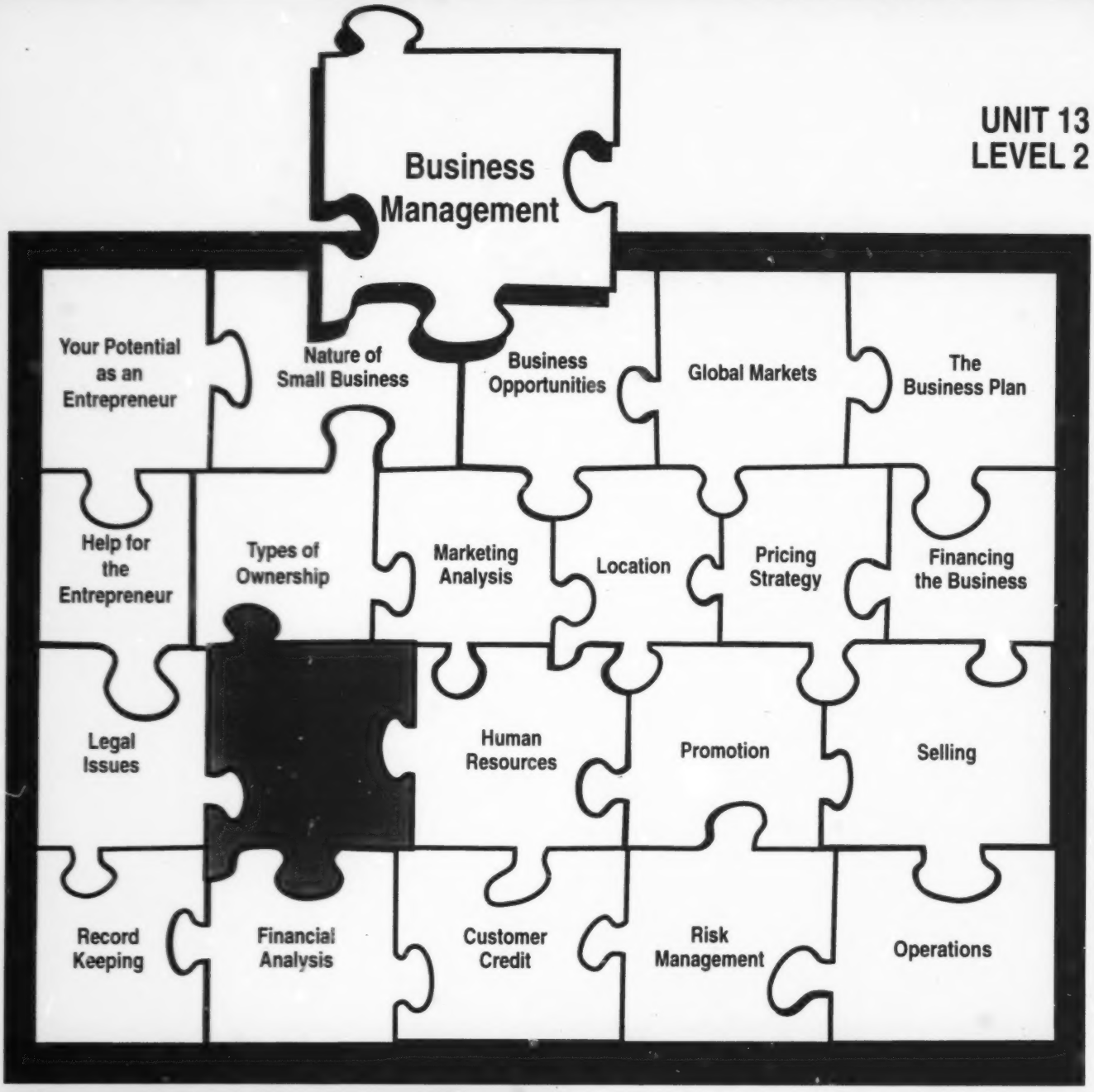
UNIT 13
LEVEL 2



PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 302-13

BUSINESS MANAGEMENT

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met in Level 1:

   - Explain the role of management in small business.
   - Explain how managers spend their time.
   - Name the attributes and skills of a leader.
   - Explain the steps in decision making.
   - Define "business ethics".
   - Discuss the purpose of communication in business.
   - Identify the rewards of management.

4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

Autocratic	Policies
Budgets	Procedures
Business ethics	Schedules
Controlling	Span of control
Functions of management	Standards
Organization chart	Time management

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BUSINESS MANAGEMENT

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- describe the role of management in your potential business,
- describe the pros and cons of various leadership styles,
- examine the decision-making process as it applies to small business,
- identify the steps in the planning process,
- describe organizational tools for a small business,
- identify control procedures for a small business,
- describe methods of evaluation,
- identify ethical issues, and
- explain the importance of communication in a business.

WHAT IS THIS UNIT ABOUT?

Good management is the key to success of any business—especially a small business. As business owners, entrepreneurs must rely on their own management skills and not those of others.

The purpose of this unit is to give you a detailed description of the management process. You will examine and practice decision-making skills that will help you become an effective entrepreneur. You will examine the planning, organizing, and controlling functions of management. Suggestions will be presented for more effective management of your time.

Here's an example:

> The little carryout restaurant was changing owners again. First it had featured tacos and other quick Mexican foods. After a year, the "Taco" sign came down, and in its place, a "Pizza" sign appeared. A year and a half passed, and another change occurred. Down came the "Pizza" sign and up went a new "Taco" sign again. The new sign stayed up for many years. Why? The answer was obvious to anyone who had patronized the restaurant during the three different ownerships. Good management made the difference.

WHAT IS THE ROLE OF MANAGEMENT?

Management of your potential business will greatly impact how successful the business will be. If no time is spent exploring management functions in order to sharpen those skills, you may wake up and find your business bankrupt or being taken over by a more successful company.

Management skills involve the ability to put the building blocks in an order which allows you to run your business in the most efficient way. It includes your attitude, leadership, evaluation, communication, and ethics. All of these elements contribute to a business which will run well, serve the public well, and remain an asset to the community.

WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF DIFFERENT LEADERSHIP STYLES?

Leadership styles refer to the alternative ways in which managers carry out their decision-making responsibilities in relation to their employees. Each manager's style can differ from day to day, as different problems are encountered and different business goals are approached. However, it is worth your effort to develop an insight into which styles can work best for you and your specific mix of employees, problems and points in the decision-making process.

Three classifications that represent common leadership approaches are:

1. **Hands-Off**: Selects employees for their skills and gives them the freedom to work unhindered.

   Pros

   - May be appropriate for utilizing outside technical specialists like outside accountants who do not work under your direct supervision

   Cons

   - This style does not provide an opportunity to correct behaviors that do not meet your expectations

- Different employees may not feel a part of a larger organization

- Focuses on the managers responsibilities for the initial stages of the decision-making process at the expense of the controlling and evaluation stages

- It is difficult to adequately develop employees under this leadership style

2. **Autocratic/Directive Features**: Emphasis is on rational control of all aspects of the decision-making process.

Pros

- Provides ample opportunity to adjust and correct behavior

- Manager can decide and implement decisions quickly

Cons

- Employees may not be committed to goals of organization

- Does not gain the benefit of employee ideas and contributions. Often does not allow for effective employee feedback

3. **Worker involvement**: Seeks two-way communication flow between manager and employees. The manager selects only key variables to control and monitor. Actively solicits employee participation and input at each stage of the decision-making process.

Pros

- Is associated with higher worker morale and commitment to the organization's goals

- May achieve a "better" solution to an organizational problem

- You don't have to spend as much time after the decision trying to "sell" the decision to your staff

Cons

- Takes a great deal of the manager's time

- Can present morale problems if you solicit staff input and fail to accept that input in your decision making

- May slow down the decision-making process and serve as an excuse to "duck" an important decision

- In some situations, may not be associated with the highest levels of output

As businesses grow, entrepreneurs often find that the style that suited the early stages of their enterprise no longer matches the needs of their organization.

During the earliest stages of the business formation and growth, the entrepreneur has to play the role of the creator of the organization who must gain control over all aspects of his/her environment. As the company grows and matures, it is crucial that the

entrepreneur adapt a leadership style that allows him/her to more effectively delegate work. The transition from control-oriented entrepreneur into effective manager is a challenge that often poses a critical problem for the firm.

Many successful entrepreneurs fail to make this transition and are forced out by their boards of directors or lead their companies into problems. The entrepreneur must continue to study his/her style of management and respond to the changing needs of the size and complexity of the environment in which it operates.

WHAT'S INVOLVED IN MAKING GOOD BUSINESS DECISIONS?

Decision making is the most important skill a good manager can have. The business will prosper or fail according to the decisions the manager makes. It is important to feel comfortable and competent about making decisions. Consider the following example:

Connie Crocker wanted to open a day-care center for children. She planned to operate the center from 7:15 a.m. to 6:15 p.m., five days a week. Her problem was in obtaining a facility. She had recently discovered that her own home would not meet licensing requirements for day-care centers.

What can she do? How would you advise Connie to solve her problem? She came up with only two solutions: (1) abandon her day-care center idea, or (2) risk her savings and purchase a building, hoping she can meet payments. Which is the best solution? How would you go about making the decision?

WHAT ARE THE STEPS INVOLVED IN MAKING BUSINESS DECISIONS?

To determine how Connie would best go about making a decision, let us examine the **five steps of the decision-making process**:

1. Identifying the problem
2. Defining alternative solutions
3. Gathering facts about the alternatives
4. Evaluating alternatives to pick the best solution
5. Formulating a plan of action

HOW DO YOU IDENTIFY THE PROBLEM?

The first step, identifying the problem, is the most important. If the problem is not correctly identified, the solution will be worthless. For example, Connie Crocker identified her problem as money. Then, her entire decision-making effort would be concentrated on finding new sources of money. Although money appears to be the problem, it is not the issue. Connie's real problem is that she needs a day-care facility five days a week. It must be large enough for thirty

children and meet day-care licensing standards.

WHAT ABOUT DEFINING ALTERNATIVE SOLUTIONS?

Most successful managers define several alternative solutions for their problems. The more alternatives from which managers have to choose, the better their chances of finding a workable solution. So far, Connie had identified only two alternatives, neither of which she found acceptable: abandoning the day-care center idea or risking her savings to purchase a building that meets requirements.

However, Connie could also—

- rent space and fix the building to meet requirements,
- find a business partner who has access to a suitable building,
- look for a low rent community building,
- sell her home and buy a building that is suitable for both a day-care center and a family home,
- build an addition onto her home to accommodate the day-care center,
- plan to operate with sixty rather than thirty children so there will be more income to cover building payments, and
- find out if federal grant money could be obtained to subsidize the day-care center.

HOW DO YOU GATHER FACTS ABOUT THE ALTERNATIVES?

To select the best alternative, managers must gather enough facts about each alternative to make an informed choice. Important decisions may require much research before adequate information is found. Making decisions of minor consequences may require only a phone call or two, or a trip to the library for some statistics.

In Connie's case, she spent several weeks gathering the information she needed. She talked with realtors, contractors, bankers, and day-care center inspectors to get an idea of her exact needs and the costs of the different alternatives. She found out about existing facilities and fees. She talked with community leaders about the possible use of various buildings. Since she wanted to be a sole proprietor of the day-care center, she ruled out looking for a partner. She visited the library and looked at the latest census data to find the potential number of children needing day care. Finally, she felt she had enough information to make the decision. She decided to rent the Sunday school facilities of a nearby church.

WHAT ABOUT FORMULATING A PLAN OF ACTION?

Once the best alternative has been chosen, managers must decide who will implement the plan. If equipment is needed, it must be scheduled or purchased. If materials and supplies are needed, they must be ordered and delivered to the place of use.

Connie's plan of action had many items. She needed a contract with the church for their Sunday school facility. A carpenter had to be employed to make the necessary facility changes. Inspection for licensing had to be arranged. Books, toys, games, cots, and other materials had to be purchased. Children had to be recruited. Connie's completed plan of action detailed all of these activities. Now she could begin to implement her decision. Soon she would be operating her own day-care center.

WHAT ARE THE DECISION-MAKING SKILLS?

You have seen how Connie used the decision-making process to achieve her business goal. But what about you? Do you feel comfortable with this decision-making method? Do you have any of the following decision-making skills?

- Can you analyze cause and effect relationships?
- Can you evaluate people's performance without being influenced by their personalities?
- Can you identify creative alternatives?
- Will you take the time to research needed information?
- Can you determine the costs of alternatives?
- Can you keep personal values apart from your analysis of alternative solutions?
- Can you evaluate the effect different solutions will have on the total operation?

If you feel these questions do not describe you, you may wish to sharpen your decision-making skills. Try using the five steps in decision-making to make personal decisions. This method can help you to improve your managing abilities.

WHAT ARE THE MANAGEMENT FUNCTIONS?

The job of managing varies from business to business. Each management position is unique because the business of each company and the personality of each manager is different. However, all managers of small businesses are in charge of the same kinds of functions. These functions include *planning*, *organizing*, *directing*, *controlling*, and *evaluating*. The management techniques

used by each person may change, but the functions are the same.

WHAT IS THE PLANNING FUNCTION?

Planning is the first and perhaps most important step in managing a business. Planning is the process of setting objectives and then determining the steps that have to be carried out in order to reach these objectives. Simply stated, planning means to look ahead, to set goals, and to consider ways of reaching the goals.

Planning must cover production, sales, finance, personnel, and all phases of business operation. Planning results in the formulation of business goals, programs to be undertaken, policies that establish guidelines for the firm's managers, and specific operating methods and procedures.

Whether your business is new or old, large or small, goals and objectives are important. Goals that are clearly established and properly communicated to employees have the best chance of being reached. Also, well-defined objectives provide a solid basis for managers to organize, direct, and control their businesses successfully.

Established goals must be specific and meaningful. The goal "to increase sales" is vague; "to increase sales by 10 percent in the next six months" is specific. Goals for your business must be stated clearly and in specific terms; they must not be established arbitrarily.

WHAT IS INVOLVED IN THE PLANNING FUNCTION?

Planning takes a large share of every manager's time. Planning requires setting long- and short-term goals. Some examples of long-term plans are:

- To gross $500,000 in sales this year
- To open a branch retail store
- To hire a full-time salesperson, on a permanent basis
- To add five more trucks and delivery routes.

Some examples of short-term plans are:

- To build a display
- To let employees know about new operating procedures
- To raise monthly sales 5 percent
- To approve a floor plan for the new branch store

Managers also make daily plans. These plans include appointments, special meetings, things to check on, and calls to make and return. A good manager arranges his/her list in order of importance. Then, if an emergency arises, the manager can quickly drop the least necessary item from the list and create time for the emergency. For instance, Ken Trump, managing editor of a

small publishing company, always made a daily plan. However, he was quick to change the plan if problems came up. Compare the following "plan" and "actions."

Ken's Daily Plan

- Review notes for board meeting
- Attend board meeting
- Lunch
- Call:
  - artist
  - bindery
  - compositor
- Cancel luncheon
- Review manuscript
- Consult with editor
- Call author

Ken's Actions

- Checked final paste-up
- Attended board meeting
- Ate lunch
- Asked secretary to:
  - call artist
  - cancel luncheon
  - move editor appointment to tomorrow
- Asked production coordinator to call bindery and compositor
- Reconvened board meeting
- Began to review manuscript

Managers often develop systems for improving their daily planning. As they think of things that need to be done, they record them at once so they won't be forgotten. Some managers keep a special "to do" list. Others carry a note pad or index cards. Some scribble their thoughts down on used envelopes, scraps of paper napkins, or any available paper.

Daily, short-term, and long-term goals are all related to each other. One is built upon the other. By accomplishing many tasks, one achieves short-term goals. By accomplishing many short-term goals, one eventually reaches the long-term goal.

Figure 1 illustrates this relationship.

Long-Term Goal	Short-term Goals	Daily Plan
To open a branch retail store	Develop floor plan	Ask department heads to record features wanted
	Select building sites	Discuss wants/needs
		Finalize specifications
		Meet with architect
		Meet with realtors
		Visit possible sites
		Discuss loan with loan officer of bank

Figure 1. Goals of the business manager

ARE THERE PLANNING DEVICES AVAILABLE?

Many devices have proven helpful for the planning process. These include:

- Budgets
- Schedules
- Standards
- Policies
- Procedures

Budgets. Budgets are most helpful in financial planning. Financial budgets are estimated plans for the future that help keep expenses in line with income. They assist managers in setting goals and determining how to reach those goals. If managers know the financial resources they have available, they are better able to develop business plans. Budgets also show the costs of implementing any plan.

Schedules. Schedules are valuable planning tools because they help make effective use of time. A schedule is a plan for reaching objectives. Schedules list both the tasks to be completed by a department or individual and the approximate time required to complete the task.

Standards. Managers use another planning device—setting standards. A standard is a measure by which something is judged. Standards are set so people know when the quality of work reaches a desired level.

Policies. Managers often set policies as part of their planning process. Policies are guidelines used in making decisions about specific problem situations. A policy is a general rule to be followed by the entire business. A policy helps reduce misunderstandings and encourages consistent solutions to similar problems.

Procedures. A procedure is an orderly list of steps to be followed for performing certain work. Procedures improve efficiency in doing routine tasks and are especially helpful to new employees.

WHAT IS THE ORGANIZING FUNCTION?

As has been said before, planning is a very important function of management. However, before any plan can be put into action, consideration must be given to how to carry out the plan. *Organizing* is the process of assigning duties and responsibilities and coordinating efforts among all organizational personnel to ensure maximum efficiency in reaching the business goals and objectives.

WHAT IS INVOLVED IN PERFORMING THE ORGANIZING FUNCTION?

Organizing is as important as planning. At this stage, the plan becomes more than an idea. It is translated into people, equipment, supplies, and other needed resources. You will select the people who will actually do the work. If equipment is needed to implement the plan, you will make sure it is available. When everything is ready, the organization phase of managing is completed.

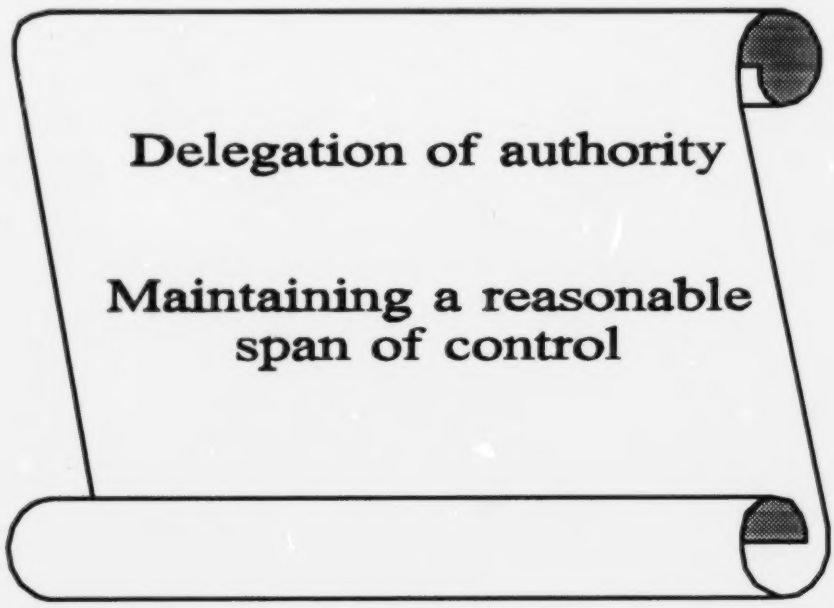
As an entrepreneur, you will have the complex task of organizing the entire structure of the business. This process of organizing will involve three elements; division of work, facilities, and workers.

In establishing an organizational structure for your business, the total work must be divided into units, such as departments. One type of structure is to divide activities into buying and selling. For many small firms, this may be all that is needed. Larger firms may have more divisions, but needs will vary with the type of business. You must remember that organization is as necessary for a small business as for a large one. In an efficient organization, responsibility is assigned. Authority is delegated in order to best achieve goals and objectives.

The physical aspects of organizing must be considered. This includes providing proper equipment and materials for performing tasks and arranging the layout of facilities so that all work flows smoothly.

Organizing requires that work be divided into manageable units with each worker in mind. You must know what each employee is capable of doing and not expect more than he or she can deliver.

Whenever it is possible, effective managers delegate authority to their subordinates. Ineffective managers try to do everything themselves. The key issue here is how much authority should be delegated, and when it should be delegated.



WHAT FACTORS IMPROVE ORGANIZATION?

Two key factors that will help you organize your business more effectively are *delegation of authority* and *maintaining a reasonable span of control.*

As you might imagine, in small companies managers often make most of the decisions themselves. But as the organization gets bigger, managers must delegate authority to avoid inefficiency.

If the decision is a small one that doesn't involve much money, you would probably want to delegate it to a subordinate. But if the decision is an important one, you'll need to think about your subordinate's capabilities first. Can the person handle the job? Does he or she have the skills to make a good decision? Should you make this particular decision yourself? By keeping such factors in mind, you can then determine the amount of delegation that provides the greatest amount of efficiency for your business.

Span of control refers to the number of employees who are directly supervised by one person. You must establish and maintain a

reasonable span of control. If you attempt to supervise too many individuals, you will become overworked and unable to perform your own duties effectively.

In general, the span of control can be larger at the lower levels than at the upper levels of an organization. The most effective span of control varies with a number of factors. Among these are the nature of the work and the supervisor's knowledge, energy, personality, and abilities.

ARE THERE TOOLS AVAILABLE TO HELP WITH ORGANIZING?

Job descriptions and organization charts are two devices to aid you in performing the organizing function.

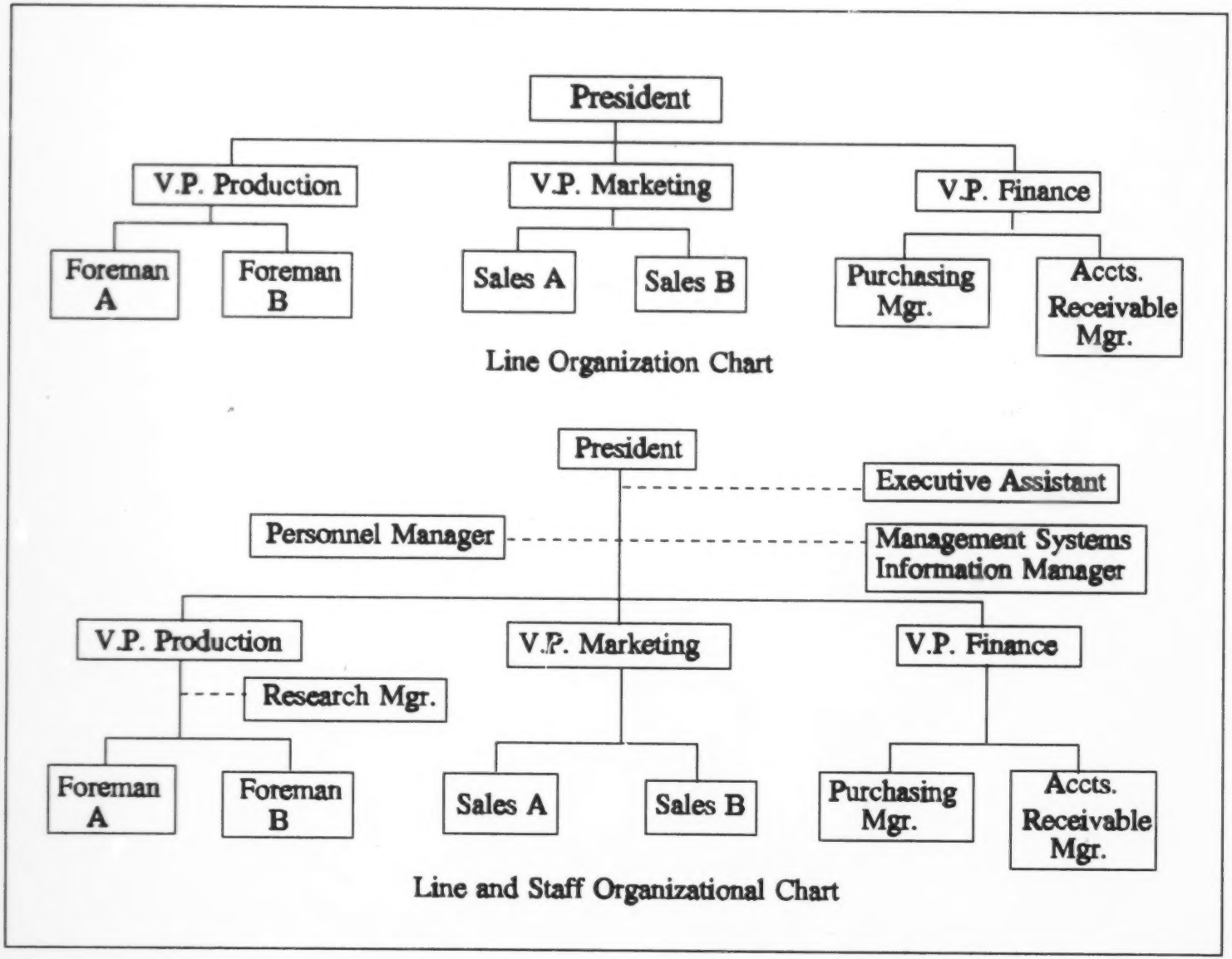
Job descriptions list the duties of an employee's job. In small businesses, the owner may simply give employees directions and let them take it from there. But as the business begins to grow, jobs need to be better defined, even if they're not always written down. Job descriptions are an excellent way of dividing the work of the business into manageable units. These breakdowns can then be used in developing an organization chart for the business.

An **organizational chart** is a visual device that shows the structure of a business and the relationships among workers and divisions of work. An organizational chart indicates each employee's area of responsibility and the person to whom each employee reports. These charts also provide for a clear understanding of the division of work. By understanding an organizational chart, employees have some idea of where and how they fit into the company.

HOW CAN YOU ORGANIZE A BUSINESS?

The two principal types of internal organization structure that businesses use are *line and staff organizations*. A line organization means that all authority and responsibility may be traced in a direct line from the owner down to those persons in the lowest position in the company. Under this form of organization, each employee is responsible to only one supervisor. This supervisor is, in turn, responsible to someone else.

A *line and staff organization* is used by businesses that handle either large amounts of work, or work of a complex nature. The result is that line personnel may not be skilled in all the specialties of those they supervise. To solve this problem, staff specialists (advisors) are added to give advice and assistance. Note that staff personnel are indicated by a broken or dotted line in the organization chart on page 15.


President
V.P. Production
V.P. Marketing
V.P. Finance
Foreman A
Foreman B
Sales A
Sales B
Purchasing Mgr.
Accts. Receivable Mgr.
Line Organization Chart
President
Executive Assistant
Personnel Manager
Management Systems Information Manager
V.P. Production
V.P. Marketing
V.P. Finance
Research Mgr.
Foreman A
Foreman B
Sales A
Sales B
Purchasing Mgr.
Accts. Receivable Mgr.
Line and Staff Organizational Chart

Position Title: Secretary

Supervisor: Director of Marketing

Department Name: Marketing

Overall Responsibilities and Specific Duties: Produce typed copy from rough written copy, dictation, or brief oral instructions, involving correspondence, reports, proposals, and other confidential materials relating to marketing research development, contractual and budgetary information; proofs, edits, and corrects. Operates word-processor.

Relieves supervisor and staff of routine administrative duties (e.g., independently gathers and summarizes statistical data or requests, drafts correspondence for signature of Director, prepares internal reports; responds to information requests in areas and not requiring personal attention of supervisor, schedules meetings and coordinates clerical position); coordinates work loads across offices as necessary and appropriate; maintains organization calendar, and supports situation room operations.

Performs clerical tasks of a general and semi-routine nature; set-up, maintains, purges, and searches files; maintains records; coordinates photocopying; maintains supplies; maintains account ledger such as travel, absence, phone calls, copy work, and supplies.

Acts as first line liaison with all operating divisions and offices in the organization; screens calls and visitors; maintains calendar for Director; provides preliminary contact with the general public, office visitors, administrative officials, and sponsors.

Contacts. Organizational, customer, and external sponsor groups daily to weekly to receive/provide information.

Specifications: As per Level 1 specification.

WHAT IS THE STAFFING AND DIRECTING FUNCTION?

Staffing and Directing. Once you have established a staffing plan for your business, it is *directing* that gets the job done. This will be accomplished by communicating with employees and motivating them to want to do their jobs. This management function is discussed in more detail in the Human Resources unit of PACE.

WHAT IS THE CONTROLLING AND EVALUATING FUNCTION?

The *controlling* and *evaluating* function involves judging your success in meeting business goals and objectives, and then taking corrective action when goals are not being achieved. The purpose of control procedures is to discover why goals are not being reached and to decide on corrective steps.

The control process involves three basic activities:

1. Establishing standards (the planning process)
2. Comparing performance against these standards
3. Taking corrective action if needed

WHAT DOES THE CONTROL FUNCTION INVOLVE?

Every type of business needs to employ control measures. Types of controls available to you include:

- Quality controls
- Quantity controls
- Time controls
- Cost controls

Quality Controls. Quality standards may be established as part of the planning process. Perfection, or no defects, may be the only acceptable standard for much of the work in business. Most customers expect no less. To ensure such quality work, a manufacturer or service provider must establish a total quality management program to continually monitor the processes and products of the firm. This means that the responsibility for quality production and necessary corrective actions must begin with each employee.

Quantity Controls. Production managers may specify a quantity of a product to be produced during a given period. Sales managers may establish quotas for their salespersons. Such standards are set in the planning process. These controls can be used to evaluate workers and provide reinforcements as needed. It is even more important that these controls be utilized by the workers themselves to monitor and improve the production or service process.

Time Controls. Several time control devices are available to managers. One of these devices is the planning schedule where comparisons of actual activities to planned

events on a schedule are made. From these comparisons, you will be able to determine whether or not activities were accomplished, as planned, within a certain period of time. Knowing the difference between planned and actual production goals will also help you plan future production goals.

Cost Controls. Cost controls often receive more attention than the other types of control. The most widely used cost-controlling device is the budget. Like schedules and standards, budgets are also planning devices. Comparisons are made between planned and actual costs to determine if the planning process has been successful.

As a manager, you should remember that the most important part of any control system is timely feedback. Whatever system is used, it must identify the problem before it's too late! If your business is having a cash flow problem, for example, you need to have sufficient time to borrow money. A good control system can provide this information.

WHAT EVALUATION METHODS ARE AVAILABLE TO ASSIST IN MANAGING YOUR BUSINESS?

1. Focus on the behavior you seek to change or develop:

    - To change behavior, you must recognize the importance of immediate correction of undesirable behavior.
    - You must also develop the practice of providing immediate positive feedback when appropriate behavior is observed.

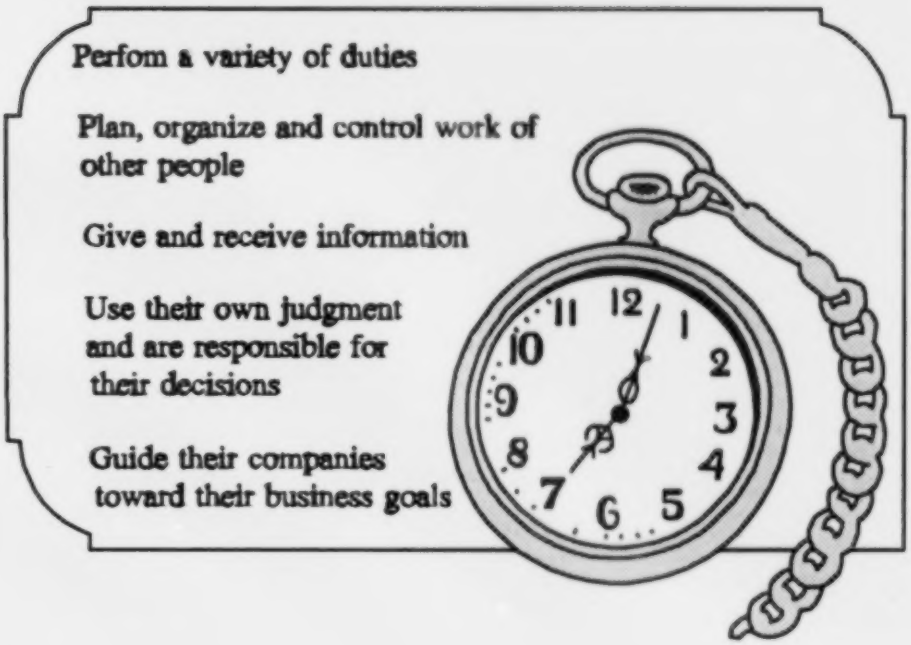
2. Regular employee performance evaluations should include both written and face-to-face methods.

    - Ask your employee to conduct a self evaluation using the format you have cooperatively developed and then work together to compare your assessment with theirs.
    - Be certain to follow up and assure consequences to reinforce both positive and negative behavior.
    - Encourage employee involvement in setting performance objectives (contracting with employees).

3. Don't gather reports or other data that are not directly used in the decision making or evaluation processes.

4. Make it a regular management practice to seek input from your customers on how well your company is providing the products/services they require. This evaluation technique works especially well if you involve your employees in developing and using the assessment questions asked of the customers.

5. Set a regular time to review your financial and operations record systems (developed in other PACE units) to regularly evaluate your progress in reaching business objectives.


Perfom a variety of duties
Plan, organize and control work of other people
Give and receive information
Use their own judgment and are responsible for their decisions
Guide their companies toward their business goals

CAN TIME MANAGEMENT TECHNIQUES HELP MANAGERS?

A crucial problem facing all managers is how to manage their time effectively. Time management is self management. *Time management* means the efficient use of your resources to achieve management goals within reasonable time limits.

Managing time is like managing anything else; it involves *planning, organizing, directing, controlling, and evaluating*. Time management is an ongoing process that can be divided into the following steps:

1. **Find out how you use your time now.** Keep logs or use other means to construct accurate records.

2. **Analyze your time log to identify your problems.** Is there any one activity that is taking up large amounts of time, but is not of real value to your business?

3. **Set goals that are important to you.** Assign each a priority rating to establish its relative importance.

4. **Develop a plan to achieve your most important goals.** Define these tasks within a time frame.

5. **Implement your plan.** Schedule the key tasks into your daily calendar. Use a "to do" list or similar aid.

6. **Develop techniques for overcoming specific problems** such as interruptions, crises, procrastination, or inefficient meetings. Use delegation of authority.

7. **Conduct a follow-up study** to detect problems and help you modify the plan.

Successful time management, like other management functions, pays off by helping your business run more efficiently. For example, the following scheduling technique will prove useful for many businesses.

Using a wall, pocket or desk calendar with space to schedule for each day is one of the most significant procedures in running a profitable business. Keeping track of tasks and appointments, can keep you on top of the daily, weekly, and monthly business administration duties necessary to operating your firm.

Some of the necessary items and tasks you need to schedule and plan for operating your business, including the average time each task should take are:

- Paying your bills and loan payments (1 - 2 hours a week).
- Making bank deposits (1/2 - 1 hour per day).
- Balancing your check book (1 - 2 hours a month).
- Paying and/or depositing payroll, sales, and other taxes (1 - 2 hrs a month).
- Paying your payroll (1 - 2 hours a month).
- Reviewing and revising your cash budget (1 - 2 hours a week).
- Making customer sales calls (minimum of 2 hours a day).
- Reviewing customer sales calls (1 - 2 hours a week).
- Making deliveries of products and services (depends on the customer demand).
- Inventorying supplies and merchandise (1 - 2 hours a month).
- Ordering supplies and merchandise (1/2 - 1 hour a week).
- Receiving deliveries and/or making pick ups of supplies or merchandise (1 - 4 hours a week).
- Making and keeping appointments with customers, associates, and vendors/suppliers (depends on customer demand; 1 - 4 hours a week for associates and vendors/suppliers).
- Creating job and work schedules (1 - 2 hours a week).

WHAT ETHICAL ISSUES SHOULD YOU BE CONCERNED WITH IN MANAGING YOUR BUSINESS?

In addition to your responsibility to make a profit, you as a business owner, have a broader responsibility to a number of groups within your community. Ethical business practices include assuring that the highest legal and moral standards are observed in your relationships with the following community segments:

- Customers
- Suppliers and business associates
- Employees
- General public (neighbors and the physical environment)

Fair and equitable treatment of each of these groups is not only "good business" but it will assure that you and your employees make a lasting contribution within your community. Ethical business practices are best developed by example. That is, you must lead with "above board" practices if you expect your employees to follow.

You need to be especially concerned about the following unethical practices:

1. False or misleading advertising
2. Fair treatment of suppliers
3. Gift giving or receiving among your sales or purchasing staff
4. Income and expense reporting distortions (cash business transactions)
5. How your employees represent themselves (and your business) to customers and the general public.

You will need to develop a formal (written) code of ethics covering the above and any areas specific to your industry as one of your first orders of business. It is crucial that you involve all of your employees in the development of this code.

Typical ethical issues that you will face everyday as you operate your business and as you deal with the various groups to which you have a responsibility include:

Suppliers. Do you routinely accept free lunches and holiday gifts from key suppliers?

Customers. Do you ship products with known quality defects?

Employees. Do you pay employees for overtime work in cash?

Competitors. Do you seek private information about your competitors from others?

Business Associates. Do you share all financial information with your business associates?

HOW IMPORTANT IS GOOD COMMUNICATION TO A SUCCESSFUL BUSINESS?

Entrepreneurs spend most of their time communicating with customers, employees, suppliers, bankers and other persons involved in day-to-day business activities. Any human communication process shares the following elements:

- A **fact or idea** is developed or observed by a speaker or writer.
- These observations are transformed into a **message**.
- The message is transmitted through a **medium**.
- The message is **received and interpreted** by a listener.
- The listener provides **feedback** to the speaker or writer.

In business these communications occur with the following critical individuals and groups:

Manager . . . . . Employees
Employee . . . . . Customer
Manager . . . . . Supplier
Manager . . . . . Banker/Investor
Employee . . . . . Employee
Manager . . . . Government regulators
Manager . . . . . Outside professionals

"Barriers" to effective communication occur when any of the above steps are blocked or distorted. For example, it is impossible to implement a leadership style stressing "worker involvement" unless you can understand the meaning of your workers statements to you. You need to develop the highest possible skills in written, oral and nonverbal communication to become a successful manager.

You also need to keep up-to-date on the various technical communication media that can be employed to carry your message to the above groups, as well as allow you to receive unimpeded feedback from them.

Businesses that learn to use new communication tools such as direct advertising, newspaper, telephone, radio, television, computers, FAX, electronic mail (E-Mail) or cellular technology often gain an important competitive advantage.

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

There is a misunderstanding between you and your business partner. What steps might you take to resolve the conflict and stop misunderstandings in the future? Why is communication important to you, and to your business partnership?

B.

Interview two or three business owners in your community on the functions of management. Ask each to explain the management role he or she assumes in the firm. What is the organizational structure for the company? Who reports to whom? How have responsibilities been delegated? Ask them to describe their leadership styles. Ask them to discuss their views regarding the social responsibilities of business. How have these business owners utilized communication techniques to improve their business performances?

C.

Identify a long-term goal that a business in your area of interest may set for itself. Establish short-term objectives that will allow the business to achieve this goal. Also, identify daily activities of the business that will help it accomplish this long-term goal. Include a selection of evaluation methods that will be used to track progress in reaching these objectives.

D.

After interviewing a small business owner, ask them to explain a problem that his or her business has had in the last three months. On a separate sheet of paper discuss the process used to solve that problem. Then, outline the decision-making process presented in this unit. Compare and contrast the decision-making process used by the business owner to the one presented in this unit.

GROUP ACTIVITIES

A.

Working in teams of four to six complete the following activity.

A small publishing company finds overall sales dropping drastically. A survey shows that its traditional textbook sales are holding steady. Texts in special interest areas are doing poorly. Sales of audiovisual aids such as filmstrips are marginal. If sales are not

increased quickly, cuts in budget and editorial and sales staffs must be made.

1. Individually, design a set of eight or more alternatives available for the business to operate profitably.

2. In a group of three to four students, compare your lists.

3. How do they differ? Did anyone arrive at unique and creative responses that others didn't identify? Are there others no one has mentioned?

4. Decide upon the three most appropriate alternatives.

B.

Make a list of all expenses incurred for running a small business in your area (such as a floral shop, gift shop, lumber yard, laundry or dry cleaning shop). Compare these expenses with the income expected. Will the income be stable over the course of one year? How will this affect the decision-making process?

CASE STUDY

George Wilkerson began a family-owned company in St. Louis to service large construction equipment at work sites. He came to respect the dependability and superior quality of Caterpillar equipment, so he decided to open a Caterpillar sales and service company in St. Louis.

Wilkerson worked hard for several years and grew to an organization with over 100 employees working for him. He was ready to add three branch offices to the company, one each in Columbia and Kansas City, Missouri and one in Chicago, Illinois. Next he hired three managers for those branch offices. Upon his family's advice, his company was now incorporated and he became the president and chief executive officer (CEO).

The team of three branch managers met monthly with each other and with Wilkerson quarterly. Even though the company was no longer a small family-owned company, the management style was still authoritarian. The branch managers had very little input and each manager began to vie with each other for Wilkerson's favor, because he alone controlled their promotions and all resource allocations.

Although the company is a leader in its field, it is currently being squeezed by three negative forces: intense competition, a drastic decline in heavy construction, and rising costs. Most construction equipment businesses have laid off substantial numbers of employees, but because Wilkerson believes that he must take care of his employees, he refuses to consider layoffs. In the quarterly meeting with the three branch managers, they tell him that for the first time the company has dipped into the red. They argue that Wilkerson should cut some of the services the company offers. He refuses to even consider it, saying "I will decide when it's time to cut and what to cut. Who do you think you are telling me how to run *my* company?"

DISCUSSION QUESTIONS

1. What type of management style does George Wilkerson have?
2. Does he use a team decision-making process? How can he become effective?
3. Explain how long the company will probably be in business. How long will the three managers stay with this company?
4. Describe how the situation could be turned around and made to work.

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Why is the role of management important to your business?
2. What makes a good business decision "good" and a bad business decision "bad"?
3. What is short-term planning? Long-term planning? Why are planning devices important?
4. The planning, controlling, and evaluation processes have what purpose for businesses?
5. Identify three basic activities in the control process and explain why each is important.
6. Explain time management and why it is important to business managers.

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PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
⇨ Unit 13. Business Management
Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business